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July 22, 2004

HAND DELIVERY

Lilah Blackstone, Esq.
Securities Attorney
Department of Insurance, Securities and Banking
810 First Street, NE
Suite 610
Washington, DC 20002

RE: Advertising.com, Inc.
Consent Agreement and Settlement Order
Administrative Order No. SB-04-02

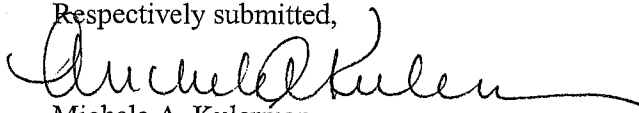
Dear Ms. Blackstone:

At the request of the Department of Insurance, Securities and Banking, we have enclosed (i) a signed Consent Agreement and Settlement Order, (ii) a notarized Consent to Service of Process and (iii) a fee in the amount of \$1,000 in payment of an administrative penalty, in lieu of the Department revoking the Section 31-5604.01(10)(A) exemption for offerings of options to employees pursuant to a stock option plan or similar benefit plan. We appreciate your cooperation in this mutually agreeable solution in compliance with the Securities Act of 2000.

A copy of this transmittal letter is also enclosed. We ask that you stamp the letter with the date of receipt and return the copy in the envelope provided.

Please feel free to contact me directly at the number above should you have any questions.

Respectfully submitted,



Michele A. Kulerman

Enclosures

ccs: Thomas P. McMahon, Esq. (w/encls.)
Michael Williams, Esq. (w/encls.)

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF INSURANCE, SECURITIES AND BANKING

IN THE MATTER OF:

ADVERTISING.COM, INC.

)
) ADMINISTRATIVE ORDER
)

) No. SB-04-02
)

CONSENT AGREEMENT AND SETTLEMENT ORDER

The Commissioner of the District of Columbia Department of Insurance, Securities, and Banking (formerly the Department of Insurance and Securities Regulation), having the authority to administer and provide for enforcement of the Securities Act of 2000, D.C. Official Code § 31-5601.01 et. seq., upon due consideration of the subject matter hereof, has determined as follows:

Statement of Facts

1. ADVERTISING.COM, INC. ("Respondent"), a Maryland corporation, is an Internet direct marketing company that serves as an intermediary between online advertisers and websites.
2. On March 30, 2004, Respondent made a filing with the Department's Securities Bureau concerning the issuance of stock options under an employee stock option and incentive plan ("the Plan") offered by the Respondent.
3. The filing submitted by the Respondent requested that the offering be exempted from registration under D.C. Official Code § 31-5604.01(10)(A). That exemption may be available in the District of Columbia where a security is offered in connection with a written compensatory benefit plan including a stock option or similar employee benefits plan.

4. In order to be eligible for the exemption found in § 31-5604.01(10)(A), issuers must provide notice to the Department at least 20 days prior to the offering date, pursuant to D.C. Mun. Reg. § 1943.5. The requirements found in D.C. Mun. Reg. § 1943 have been in effect since June 1, 2001.
5. The Securities Bureau requested and received a list of all transactions that occurred in the District with respect to the Plan between June 1, 2001 and March 30, 2004, the date on which the Respondent filed its notice under Rule 401(10).
6. In total two (2) option grants¹ were made by the Respondent in the District between June 1, 2001 and March 30, 2004 as part of an offering that was neither registered with the Department of Insurance, Securities and Banking nor properly exempted from registration.
7. Respondent acknowledged to the Securities Bureau in its filing that its filing was being made less than 20 days prior to the applicable offering, and indicated through counsel that the Respondent's failure to file in a timely manner was the result of Respondent's lack of knowledge regarding the requirement to file at least twenty days prior to the offering of options to employees pursuant to its stock option plan. Respondent's counsel also informed the Securities Bureau that it had taken affirmative steps to immediately file for the required notice as soon as it was made aware of the matter.
8. The Securities Bureau requested that the Respondent provide assurances that it was in good standing with the District of Columbia in all other respects to conduct business in this jurisdiction.
9. In its letter dated June 3, 2004 Respondent provided an assurance to the Bureau that Advertising.com, Inc. is a Maryland corporation and that it is in good standing in Maryland. The Respondent stated that it is not in the business of effecting transactions in securities in the District, other than the issuance of securities under the Plan. The Respondent further provided an assurance that it does not owe back taxes and is not subject to any liens in the District.
10. Respondent is desirous of settling this matter and agrees to voluntarily waive all right to a hearing upon entry of this Order and, solely for the purposes of this proceeding and without admitting or denying the existence of a violation, Respondent has consented to the entry of this Order.

¹ On January 4, 2001 there was a grant made to Jae Martin of options to purchase 50 shares of common stock, strike price of \$6.00. This option was not counted toward the number of options granted in the District of Columbia since it occurred prior to June 1, 2001.

11. In view of the circumstances, the Securities Bureau determined that a fine in the amount of One Thousand dollars (\$1,000) is appropriate.

CONCLUSIONS OF LAW

1. Respondent failed to provide notification to the Department of Insurance, Securities and Banking in connection with its issuance of stock option plans that were offered in the District of Columbia.
2. The failure of Respondent to notify the Department of stock options granted to District of Columbia residents at least 20 days prior to the first offering is a violation of D.C. Mun. Reg. 1943.5.

ORDER

WHEREAS, the Department, based on information submitted by the Respondent is satisfied that the exceptions alleged, supra, were not willful and that the corrective action is now being taken;

WHEREAS, Respondent wishes to resolve alleged violations by entering into a Consent Agreement with the Department of Insurance, Securities and Banking, subject to the approval of the Commissioner, as follows:

- A. The Respondent waives its right to further notice and hearing in this matter.
- B. The Respondent shall pay administrative fine in the amount of One Thousand dollars (\$1,000) made payable to the D.C. Treasurer.
- C. The Department of Insurance, Securities and Banking hereby accepts the administrative fine and agrees not to pursue other administrative remedies available under its administrative authority relating to matters alleged in this agreement.

ACCORDINGLY, IT IS HEREBY ORDERED:

1. That Respondent shall ensure that proper procedures are effected to preclude any future non-compliance with the Act.
2. That in lieu of revoking the exemption available to Respondent, the Commissioner will agree to accept an administrative penalty and will take no other enforcement action with respect to the offers made prior to notification.

3. Respondent shall pay an administrative penalty in the amount of One Thousand dollars (\$1,000) made payable to the D.C. Treasurer.
4. The Commissioner finds this Order necessary and appropriate and in the public interest for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act.

Agreed and Consented to:

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING

BY: Theodore A. Miles
Theodore A. Miles,
Director

RESPONDENT

BY: Thomas P. McMahon
Thomas P. McMahon
on behalf of ADVERTISING.COM, INC.

SO ORDERED:

Dated this 22nd day of July, 2004.

APPROVED and so ORDERED:

In Witness Whereof, I have hereunto
set my hand and affixed the official seal. Of
this Department in the District of Columbia,
this 22 day of July, 2004.

Lawrence H. Mirel
Lawrence H. Mirel
Commissioner

TO THE COMMISSIONER OF CORPORATION OF THE
STATE OF CALIFORNIA

CONSENT TO SERVICE OF PROCESS

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, Advertising.com, Inc., a corporation organized under the laws of the State of Maryland, hereby irrevocably appoints the Commissioner of Corporation of the State of California, or the Commissioner's successor in office, to be the undersigned's attorney to receive service of any lawful process in any noncriminal suit, action or proceeding against the undersigned, or the undersigned's successor, executor, or administrator which arises under the California Corporate Securities Law of 1968 or any rule or order thereunder after this consent has been filed, with the same force and validity as if served personally on the undersigned.

For the purpose of compliance with the Corporations Code of the State of California, notice of the service and a copy of the process should be sent by registered or certified mail to the undersigned at the following address:

Thomas P. McMahon, General Counsel and Vice President
(Name and Address)

c/o Advertising.com, Inc., 500 Harborview Drive, 3rd Floor, Baltimore, Maryland 21230

Dated: 2nd day of July, 2004

ADVERTISING.COM, INC.

By: [Signature]
Title: Thomas P. McMahon
General Counsel and Vice President

State of Maryland)
County of Montgomery)
Baltimore

On this 20th of July, 2004 before me Doris E. Tricario (Notary), personally appeared Thomas P. McMahon personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature

Doris E. Tricario

(SEAL)

"MY COMMISSION
EXPIRES April 1, 2005."

Any certificate of acknowledgement taken in another state shall be sufficient in the State of California if it is taken in accordance with the laws of the place where the acknowledgement is made.

WARNING - THIS CHECK IS PROTECTED BY SPECIAL CHECKPOINT® FEATURES

Bank of America

Baltimore, MD

076600

7-1637520

AMOUNT

\$1,000.00

DATE

July 20, 2004

VOID CHECK AFTER 180 DAYS

Baltimore, MD 21230

Suite 200

1020 Hull Street

Advertising.com, Inc.

One Thousand Dollars And 00/100 Cents
PAY TO THE ORDER OF
D.C. Treasurer

John B. ...
AUTHORIZED SIGNATURE

SECURE FEATURES INCLUDE INVISIBLE FIBERS • MICROPRINTING • VOID FEATURE PANTOGRAPH • ENDORSEMENT BACKER • BROWNSTAIN CHEMICAL REACTANT

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